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 FM AMEMBASSY CAIRO
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 INFO RUEHTV/AMEMBASSY TEL AVIV 7983
 RUEHJM/AMCONSUL JERUSALEM 7307
 RUEHAM/AMEMBASSY AMMAN 0302
 RUEHJI/AMEMBASSY JIDDA PRIORITY 3282
 RUEHDM/AMEMBASSY DAMASCUS 8630
 RUQMKM/AMEMBASSY KHARTOUM IMMEDIATE 6181
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E.O. 12065: GDS 1/6/88 (PRECHT, HENRY) OR-M
 TAGS: PEPR, EG, US

SUBJ: CODEL PERCY: MEETING WITH DEPUTY PRIME MINISTER/
 - FOREIGN MINISTER KAMAL HASSAN ALI, JAN 5

1. (C) - ENTIRE TEXT.

2. SENATOR PERCY MET FOR ABOUT 45 MINUTES WITH ALI IN
 HIS APARTMENT. STAFFERS SANDERS, BANNERMAN AND CHARGE
 PARTICIPATED. ALI MADE FOLLOWING POINTS OF INTEREST:
 --IN RESPONSE TO SENATOR'S QUERIES, ALI LAID HEAVY
 EMPHASIS ON EGYPT'S DESIRE THAT AUTONOMY PROCESS NOT BE
 ACCELERATED. RATHER, NEGOTIATIONS SHOULD CONTINUE AT A
 STEADY PACE WITHOUT APPLYING PRESSURE ON EITHER SIDE.
 EGYPT HAD LITTLE POSSIBILITY OF MAKING CONCESSIONS; IT
 WOULD BE UP TO ISRAEL TO SHOW NEW FLEXIBILITY -- SOME-
 THING THAT HAS NOT HAPPENED IN TWO YEARS.
 --RECENT ISRAELI ACTIONS WERE SEEN BY ARAB WORLD AND.

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MANY EGYPTIANS AS PROVOCATIVE AND DESIGNED TO EMBARRASS GOE AND USG. THE U.S. WAS ACQUIRING A VERY NEGATIVE IMAGE IN THE ARAB WORLD AS A RESULT OF THESE ISRAELI PROVOCATIONS AND THE REJECTIONIST STATES WERE BENEFITING PROPORTIONATELY.

--THERE WAS A TENDENCY OR TREND WITHIN THE PLU TO SEEK A PEACE SETTLEMENT WITH ISRAEL, BUT THERE WAS NO MECHANISM FOR THE PLU TO INVOLVE ITSELF IN A PEACE PROCESS. WHILE THE PLU COULD NOT AT AN EARLY STAGE GIVE UP ITS POLICY OF NON-RECOGNITION OF ISRAEL IT MIGHT DO SO LATER. THE U.S. AND EGYPT NEEDED FREEDOM OF MANUEVERING ROOM TO BRING THE PLU AROUND. ISRAELI ACTIONS WERE LIMITING WHAT THE U.S. AND EGYPT COULD DO.

--IN RESPONSE TO THE SENATOR'S QUESTION ABOUT A JORDANIAN ROLE IN THE PEACE PROCESS, ALI SAID THE ROLE OF SAUDI ARABIA WOULD BE VITAL FOR JORDAN'S PARTICIPATION. PERHAPS IT WOULD BE POSSIBLE -- ONCE AN ACCEPTABLE AGREEMENT HAD BEEN REACHED ON AUTONOMY PRINCIPLES -- TO BLEND IN JORDANIAN PARTICIPATION AND CONCEPTS FROM THE FAHD PLAN WITH SAUDI INVOLVEMENT. IT WOULD BE IMPORTANT TO INVOLVE THOSE MODERATE ARABS WHILE CONTINUING TO ISOLATE SYRIA AND THUS KEEP THE USSR FROM ASSUMING MORE ACTIVE ROLE IN THE REGION.

--WHEN COULD JORDAN BE INVOLVED IN THE PEACE PROCESS, THE SENATOR ASKED? AS SOON AS ACCEPTANCE OF A HEADS OF AGREEMENT ON AUTONOMY ISSUES HAD BEEN REACHED WITH ISRAEL, ALI REPLIED. IT WOULD ALSO BE DESIRABLE FOR ISRAEL TO MOVE AHEAD WITH SOME REAL CONFIDENCE BUILDING MEASURES ON THE WEST BANK. THERE WERE NOW 4,000 PALESTINIANS IN ISRAELI JAILS AS WELL AS 30 EGYPTIAN PRISONERS. PARENTHETICALLY ALI NOTED THAT THE EGYPTIAN COPTIC CHURCH HAD PREVENTED EGYPTIAN COPTS FROM GOING TO JERUSALEM THIS CHRISTMAS BECAUSE OF ISRAELI UNWILLINGNESS TO AGREE TO COPTIC CONTROL OF THE DEIR SULTAN SHRINE.

--IN RESPONSE TO THE SENATOR'S QUESTION WHETHER THE U.S. COULD BE HELPFUL WITH EGYPTIAN CONTACTS WITH JORDAN, ALI SAID SUCH CONTACTS WERE NOT A PROBLEM. THEY WOULD HAVE TO AWAIT THE RIGHT MOMENT BEFORE BEING FULLY ACTIVATED.

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ALI NOTED THAT IF EGYPT HAD DEPENDED ON ARAB MONEY DURING THE PAST FIVE YEARS THE COUNTRY WOULD SURELY HAVE COLLAPSED. ARABS IN THE PAST HAD PROVEN TO BE UNDEPENDABLE SUPPORTERS OF EGYPTIAN.

--SENATOR PERCY NOTED HE WOULD BE VISITING THE SUDAN DURING THE NEXT FEW DAYS. ALI SAID HE ALSO WOULD VISIT THE SUDAN FOR A FEW HOURS JANUARY 6. HE REPEATED WHAT OTHER EGYPTIAN OFFICIALS HAD TOLD SENATOR PERCY: THE SUDANESE PROBLEM WAS NOT AN EXTERNAL THREAT, BUT INTERNAL INSTABILITY DERIVING FROM ECONOMIC DIFFICULTIES. THE SUDAN HAD REQUESTED 50,000 TONS OF OIL FROM EGYPT AND EGYPT HAD PROVIDED IT, BUT THE SUDAN HAD NOT PAID FOR THE OIL AND WHEN IT REQUESTED A SECOND LOAD OF 50,000 TONS, EGYPT HAD DECLINED TO PROVIDE IT. ALI SAID IT WOULD BE HELPFUL IF SENATOR PERCY COULD RAISE THE QUESTION OF SAUDI FUNDING FOR THE SUDAN DURING HIS STOP IN THE KINGDOM FOLLOWING HIS VISIT TO KHARTOUM. THE SENATOR READILY AGREED TO DO SO. PRECHT

END OF MESSAGE

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